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EXPENDITURES - PREPAYMENTS

ADMINISTRATIVE PROCEDURES

All prepaid expenditures must be supported by a purchase order or contract, which states:

1. The goods or services to be furnished.
2. The date of delivery.
3. The payment terms.
4. Remedies for non-compliance.

The agency must have policies and procedures to insure that:

1. The prepaid goods or services are actually received.
2. The prepaid expenditure is recorded on STARS at fiscal year-end.

A prepaid expense is initially recorded in the same manner as any other expenditure. Usually this is done by paying a vendor using TC 230 or 236 if the expense was previously encumbered.

The effect of these transaction codes is a reduction of cash and appropriation. Since a prepaid expense is actually an asset that is periodically adjusted as it is used, two additional steps are required to record the activity:

1. After the expenditure is recorded, another transaction must be entered to establish the unused portion of the prepayment as an asset. This is done with TC 278.
2. As the asset is utilized enter TC 279 to record the expired portion, the TC 279 can be done at regular intervals throughout the fiscal year, or can be adjusted only at fiscal year end.